

BSE Q2FY21

Financial Results & Highlights

Introduction

BSE was established in 1875 and is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 144 years, BSE has provided a capital-raising platform and provided a platform for trading in equity, debt instruments, derivatives and mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME).

Standalone Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	147	144	2.08%	138	6.52%	285	287	-0.70%
PBT	26*	33	-21.21%	35	-25.71%	60	75	-20.00%
PAT	29**	39**	-25.64%	32	-9.38%	61	74	-17.57%
Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	160	160	0.00%	162	-1.23%	322	326	-1.23%
PBT	27*	33	-18.18%	40	-32.50%	67	83	-19.28%
PAT	46***	36***	27.78%	32	43.75%	79^	78	1.28%

*Contains exceptional item of Rs 14.5 Cr.

**Contains negative tax of Rs 3.18 Cr in Q2FY21 & Rs 5.8 Cr in Q2FY20

***Contains negative tax expense of Rs 19.21 Cr in Q2FY21 & Rs 3.59 Cr in Q2FY20.

^Contains negative tax expense of Rs 11.88 Cr

Detailed Results:

1. Sales for Q2 were mixed with consolidated revenues flat YoY, consolidated PBT falling 18% YoY & PAT rising 28% YoY.
2. EBITDA margin for Q2 was at 36% vs 27% last year.
3. Average daily turnover rose 44% YoY in the Equity Cash segment. TC revenue in the segment on the other hand rose 13% YoY.
4. Equity derivatives saw a meteoric rise of nearly 20 times in Average Daily Turnover in Q2 over Q1.
5. The currency derivative segment saw a drop in average daily turnover of 36%+ YoY in H1. This was mainly due to restricted bank timings due to COVID-19 and the merger of nationalized banks.
6. In the commodity derivatives segment, average daily turnover rose almost 6 times QoQ. BSE achieved a market share of 7.05% in "Options on Goods" contracts. It now has a market share of 31% in Gold contracts and 57.32% in gold mini contracts.
7. BSE Star MF saw MF revenue fall 25% YoY in H1 while Average Daily Value of Orders rising 34% YoY in the same period.
8. In the services to corporates segment, listing fees were flat YoY in H1 while Book Building & other Services grew 43% YoY.

9. 65 Securities got been listed in H1 FY21 as compared to 66 securities in H1 FY20.
10. In the India International Exchange IFSC, total turnover grew 38.6% YoY.

Investor Conference Call Highlights:

1. The Star MF platform witnessed a net equity inflow of Rs. 1,488 crores as against the total net equity outflow in the mutual fund industry of Rs. 734 crores in September 2020.
2. The total value of orders processed in the mutual fund segment by BSE increased by 38% to Rs. 1,43,062 crores for the half-year ended September 30, 2020; from Rs. 1,03,865 crores for the half-year ended September 30, 2019.
3. The total number of SIPs registered under this segment increased by 195% to 6.19 lakhs for the half-year ended September 30, 2020, from 2.10 lakh for the half-year ended September 30, 2019.
4. The total number of XSIPs registered under this segment increased by 9% to 11.33 lakhs for the half-year ended September 30, 2020, from 10.42 lakhs for the year ended September 30, 2019.
5. BSE has appointed 11,918 IFAs or members over the last seven months, taking their total to 68,587 as of October 31, 2020.
6. BSE will continue to offer its options trading platform free of cost.
7. EPFO is now investing 50% in Sensex vs 25% earlier.
8. The management has stated that once the company sees more liquidity in currency derivatives, it may look to start charging more transaction fees on it.
9. The company has appointed ICICI Securities Limited to advise on various options to unlock the value in BSE's StAR MF platform.
10. BSE Ebix Insurance Broking JV has intermediated issue of 6,597 policies, with premium amounting to Rs. 1.83 crores till 5th
11. BSE market share in currency derivatives is at 30%.
12. The BSE SME platform has 326 companies listed on it as of 30th Sep 2020 vs 309 last year. Total migrations to the mainboard have reached 85.
13. BSE market share in the bond listing space is at 56%.
14. Operating expenses have decreased by 12% YoY.
15. The company has no plans to institute transaction charges in equity derivatives.
16. The company is not charging anything on INX due to a similar policy instituted by NSE.
17. The management is confident that BSE will come out on top once the best price mechanism is enforced as it has more liquidity and better technology in the background.
18. The management is confident of BSE50 rising above NIFTY50 and becoming more prominent in due time.
19. The dividend policy will remain unchanged with most of the operating profit given out at the end of each year.
20. The company is still waiting on the CERC verdict for its power exchange license approval.
21. The average realization per transaction on BSE Star was at Rs 5.3 in H1.
22. Currently, BSE Star MF earns commission from AMCs directly. Going forward, Star MF will be a platform that will help AMCs keep track of the distributor's transactions and commissions. This will be a win-win situation for all.
23. The management expects volumes in derivatives to rise due to the relief from the CFTC regulation.

Analyst's View:

BSE is the largest stock exchange in the world in terms of listed entities. The company has been in this industry sector for close to 150 years and is still at the forefront of the industry in terms of technology and access to tradable products. The company is doing well to expand its strength in the equity and commodity derivatives space and continue the growth momentum of BSE Star. BSE Star continues to be the momentum driver for BSE. The company is looking for opportunities for value unlocking for BSE Star and has also appointed ICICI Securities Limited to advise on various options to do so. The company faces tough competition from other rivals especially NSE in emerging segments like INX which has forced them to maintain zero charges for the platform. It remains to be seen how the company will be able to fend off the competition and handle the trio of new growth businesses going forward. Nonetheless, given the company's long-standing brand value and its market execution experience, and the potential of its new businesses, BSE can turn out to be a dark horse wealth creator in the next few years.

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